

(examples: hogs in North Carolina and dairy in California) has resulted in higher production and lower prices that will persist until higher cost production declines in sufficient quantities to achieve an equilibrium. As an aside, a consequence of this restructuring is that a higher percentage of feed is being purchased as opposed to being grown on the farms producing the livestock.

■ Farm Household Income

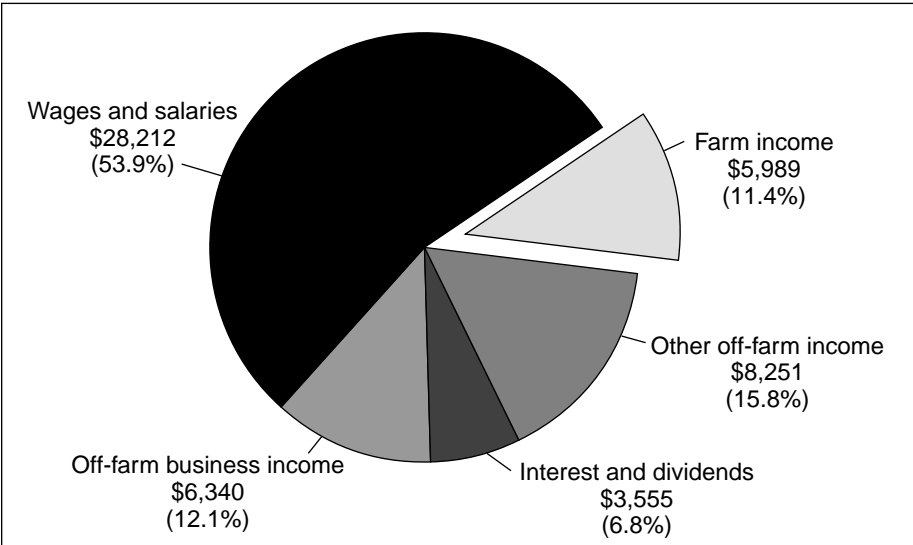
Farm operators have been surveyed by the annual Agricultural Resource Management Study (formerly the Farm Costs and Returns Survey) about the finances and production of their farms since 1985. Beginning in 1988, USDA collected additional information about the operator's household. In 1997, the most recent year for which the survey data are available, about 98 percent of farms were covered in the household definition. Included are those run by individuals, legal partnerships, and family corporations. Nonfamily corporations, cooperatives, and institutional farms are not included in the household definition.

Like many other U.S. households, farm households receive income from a variety of sources, one of which is farming. The 1997 average household income for farm operators households was \$52,300, which is on par with the average U.S. household. About 89 percent of the average farm operator's household income came from off-farm sources, and many operators spent most of their work efforts in occupations other than farming. Off-farm income includes earned income such as wages and salaries from an off-farm job and net income from an off-farm business. Off-farm income also includes unearned income, such as interest and dividends, and Social Security.

For the majority of farm operator households, off-farm income is critical. Most U.S. farms are run by households that depend mainly on off-farm income. About 43 percent of operators reported a nonfarm major occupation in 1996, and another 19 percent were retired. Most operators of larger farms reported farming as their major occupation, and their households were more likely to depend on farm income.

Average household income and dependence on off-farm income also varies among types of farm households. For example, 8 percent reported negative household income for 1997. On average, these households lost \$47,566 from farming during the year. About 34 percent had household income of \$50,000 or over, with farm income averaging \$29,025. Among occupational categories, households of operators who reported occupations other than farming or retired had the highest average household income, largely from off-farm sources. Data on operators' age show that households associated with the oldest operators had the lowest average household income. Data on operators' educational level show significant increases in average income with each higher educational level.

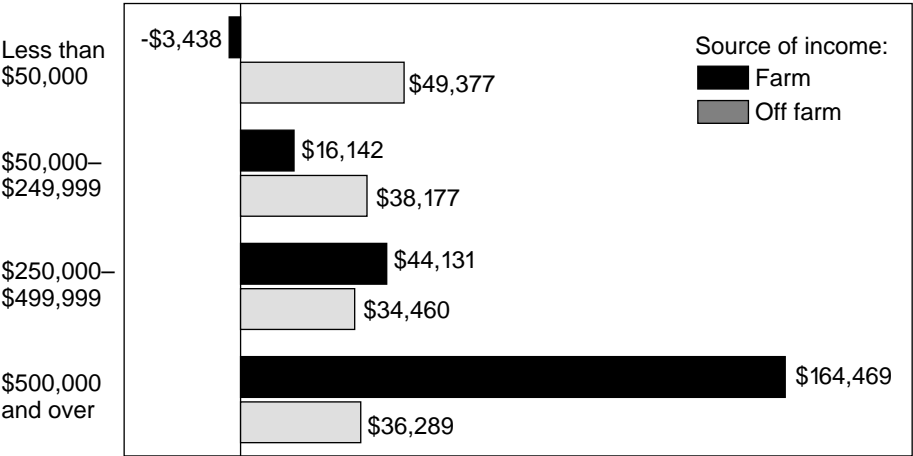
Figure 3-3.
Sources of income for average farm operator household, 1997



Source: USDA, Economic Research Service,
Resource Economics Division, 1997 Agricultural Resource Management Study.

Figure 3-4.
Average farm and off-farm income for farm operator households,
by size of farm, 1997

Size of farm:¹



¹ Based on gross value of farm sales, which includes farm businesses', share landlords', and production contractors' shares of agricultural production.

Source: USDA Economic Research Service, Resource Economics Division, 1997 Agricultural Resource Management Study.

Table 3-5.

Farm operator households and household income, by selected characteristics, 1997

<i>Item</i>	<i>Number of households</i>	<i>Average household income¹</i>	<i>Share from off-farm sources²</i>
	Number	Dollars	Percent
All operator households	2,011,568	52,347	88.6
Household income class:			
Negative	151,543	-35,678	-33.3
0-\$9,999	178,539	5,302	213.3
\$10,000-\$24,999	398,564	17,438	112.5
\$25,000-\$49,999	591,897	36,116	94.7
\$50,000 and over	691,025	117,843	75.4
Operator major occupation:			
Farm or ranch work	756,299	48,314	60.8
Other	866,331	63,954	104.7
Retired	388,939	34,335	97.6
Operator age class:			
Under 35 years	153,470	50,842	89.0
35-44 years	378,549	48,597	86.3
45-54 years	503,402	65,194	89.0
55-64 years	423,229	51,795	86.9
65 years or older	552,918	44,058	91.0
Operator educational level:			
Less than high school	312,036	27,879	93.2
High school	870,210	47,750	86.8
Some college	448,285	50,652	87.2
College	381,037	84,877	90.6

¹The household income of farm operator households includes the net cash farm income that accrues to the farm operation, less depreciation, as well as wages paid to household members for work on the farm, net income from farmland rentals, and net income from another farm business, plus all sources of off-farm income accruing to the household. In cases where the net income from the farm was shared by two or more households, the net cash income was allocated to the primary operator's household based on the share that the operator reported receiving.

²Income from off-farm sources is more than 100 percent of total household income if farm income is negative. Source: USDA, Economic Research Service, Resource Economics Division, 1997 Agricultural Resource Management Study.

■ Net Farm Income by State

Thirty-one of the 50 States experienced declines in net farm income of varying degrees in 1997 in contrast to the across-the-board increases experienced in the prior year. In order to retain perspective, remember that 1996 was truly an exceptional year with record yields for major crops and prices that remained unusually high. The value of crop production soared in 1996 reflecting rebounds in both acres harvested and yields for major crops.